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Services Division  
European Satellite Committee

Meeting of 14 May 1958

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25X1A9a Present:

S/CCM;

S/TF;

S/TR;

D/M;

D/I;

S/CST;

D/A;

St/I;

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who has recently returned from a tour of duty in the  
in East Germany. , met with the Committee and discussed the situation

, a 5-man unit who covered East Germany and East Berlin.

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pointed out the strategic value of East Germany to the USSR:  
(1) they have control of 18 million Germans who occupy one-third of the prewar  
German territory, (2) they have around 22 military divisions in East Germany,  
(3) they are able to penetrate and subvert West Germany from East Germany,  
and (4) East Germany acts as a dam against Polish defection.

With regard to the economy, he stated that the Soviets took an estimated  
12 billion dollars in the form of reparations from East Germany before the  
crystallization of the split in 1948-1949. However, the USSR decided it was to  
their advantage to build up the productive capacity of East Germany, and  
heavy investments went into the fuels, power, mining, machine, and other heavy  
industries. This concentration on heavy industry was carried on at the expense  
of agriculture and the consumer. While industrialization was being built up,  
socialization of retail establishments and agriculture was being attempted.  
However, the socialization of agriculture only acted as a spur to the refugee  
flow.

He reported that the character of foreign trade has changed under the  
Communist regime. At present, approximately 75 percent of East Germany's  
foreign trade is with the Sino-Soviet Bloc; a large portion of this trade before  
the war could have been handled in the domestic trade area between the eastern  
and western areas of Germany. In 1956, uranium exported to the USSR was valued  
at one billion East marks, or one-third of exports to the Soviet Union.

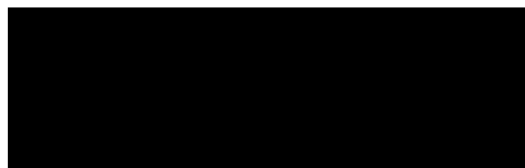
He is of the opinion that CEMA plays a significant role in the plans of  
East Germany and that CEMA is "driving" the East Germany economy.

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He reported that some of the problems <sup>with</sup> which the economy is faced are those of labor supply, raw materials supply, and increasing efficiency.

He concluded with the statement that it is a sad mistake to underestimate what the East Germans have accomplished. His group had the feeling that the fundamental data that the East Germans publish on industrial production (for example) are reasonably accurate. He thinks there has been a slow improvement in living standards along with the large increase in industrial output.



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Secretary

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On May 21, Mr. [REDACTED] Chief, D/S, will talk to the  
European Satellite Committee on Trade Controls. This discussion

will be classified NOFORN.

*Time: 1330 Place: Situation Room  
4 Bldg*

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